

ONE VIRGINIA  **ONE FUTURE**

One Virginia, One Future

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Process

In July 2002, Governor Mark Warner started the process for developing the Commonwealth's economic development strategic plan by appointing representatives from a broad cross section of citizens to a planning council. Fifty-one people representing diverse economic sectors, local government, the economic development community, other related areas and certain cabinet secretaries comprise the Planning Council.

Executive Order 34 charged the Planning Council to "...create a four-year strategic plan for economic development, in collaboration with interested citizens and economic development and related professionals." The Executive Order designated the Honorable Michael J. Schewel, Virginia's Secretary of Commerce and Trade, as chairman of the Governor's Economic Development Strategic Planning Council. Representatives of various Commerce and Trade agencies, including the Virginia Economic Development Partnership, Virginia Tourism Corporation, Department of Business Assistance, Department of Housing and Community Development, Virginia Department of Agriculture and Consumer Services, and Virginia Employment Commission, have served as staff to the Secretary in carrying this process through to its conclusion.

The first Planning Council meeting was held on August 14, 2002, in Richmond. Members received a briefing on the current status of Virginia's economy and anticipated trends in employment, education, exports and tourism, among other areas. They discussed the Commonwealth's previous economic development strategic plans, economic data and policy directions. Planning Council members reviewed and discussed the seven goal areas that had been outlined as a preliminary policy framework for the strategic plan.

The seven goals that form the framework for the strategic plan are consistent with the goals articulated in the Commonwealth's last economic development plan. These goals require long-term commitment and efforts in order to make meaningful economic change. Now, however, new strategies must be developed to move

these goals forward in that long-term process and to respond to dynamic economic conditions.

Seven regional input sessions took place around Virginia in September 2002 to solicit suggestions from all those interested and involved in the economic development process. Over 8,000 letters invited interested parties in business, agriculture, technology, tourism, education, economic development and local govern-

Goal One: Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.

Goal Two: Provide effective workforce training program to create and maintain a competitive 21st century workforce in Virginia.

Goal Three: Strengthen Virginia's traditional economic sectors and existing businesses.

Goal Four: Support technology businesses and other emerging and developing sectors of the economy which are of critical importance to the Commonwealth's global competitiveness.

Goal Five: Concentrate economic development efforts on areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

Goal Six: Strengthen the market position of all of Virginia's regions as travel destinations for national and international travelers.

Goal Seven: Encourage the growth of Virginia's economy through support of exports by Virginia companies and other forms of international trade.

ment to these input sessions. In addition, local media outlets provided some publicity. The sessions, held in Manassas, Richmond, Irvington, Richlands, South Boston, Weyer's Cave and Lynchburg throughout September 2002, drew 730 participants to share their ideas and concerns about the Commonwealth's economic development future. Planning Council members attended input sessions as their schedules allowed so that they would be personally conversant with the process and the tenor of the input.

Participants at the regional input sessions heard a message from Governor Warner, followed by an overview of Virginia's economy. They then went to work in smaller facilitated groups structured around the seven goal areas. Participants first identified economic strengths and barriers related to that work group's goal and then suggested strategies that would help address the barriers. All input on strengths, barriers and suggested strategies was recorded and compiled.

After the last session, staff analyzed and synthesized the input material. Common themes on strengths, barriers

and strategies that recurred at multiple sessions surfaced, as well as issues that had particular regional significance.

The Planning Council met for a second time on October 8, 2002, to review the synthesized material from the input sessions. Secretary Schewel led a discussion on the suggested strategies associated with the Planning Council members. While the input sessions had yielded a wealth of suggested strategies, it was not possible to pursue action on all of them. The discussion at the second meeting served to consolidate and work through the suggested strategies, and identify those most appropriate for recommended action.

Secretary Schewel then forwarded these recommendations to Governor Warner for his consideration. These ideas served to clarify and reinforce the sense of priorities and commitment around the Commonwealth regarding economic development. They also served as an important foundation for One Virginia, One Future.

A first step to any effective strategic plan must be to evaluate the current landscape in a broad sense: to understand the “starting place.” Examining the strengths and weaknesses in the economy, and the current pressures and opportunities, will give rise to a strategic direction in achieving the goals set. Following is a discussion of the Virginia economy and some of its more significant components.

The Virginia Economy

Overview

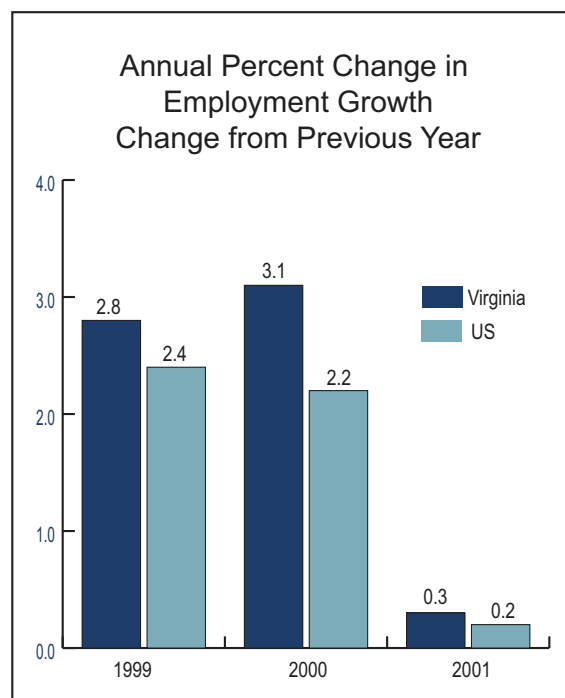
Until early in 2001, Virginia experienced a prolonged period of economic growth that provided opportunities and prosperity for many citizens of the Commonwealth. The nation and the Commonwealth enjoyed sustained employment and wage growth, as well as growth in broader measures of income and improvements in poverty reduction and educational attainment. The record ten-year peace-time expansion ended in March 2001 when, by official measures, the nation slipped into a recession from which a slow and irregular recovery seemed to be underway as of mid-2002. The terrorist attacks of September 11, 2001, dealt a direct blow to Virginia’s economy, particularly in Northern Virginia with the temporary closing of Reagan National Airport. The technology sector has been particularly hard-hit during the economic slowdown, but also stands to gain substantially from increased federal spending on defense and domestic security. In fact, the diversity of Virginia’s economy and quality of the workforce sets the stage for a continued and strengthening recovery in the next few years.

Employment Growth

The most accurate and timely measure of economic growth at the regional level is employment growth. In recent years, Virginia has outperformed the nation by significant margins. Employment growth in 2000 was 3.1% in Virginia, on a year-over-year basis, whereas employment growth nationally during the same period was only 2.2%. Even in the economic downturn, the annual growth rate for employment in Virginia was pos-

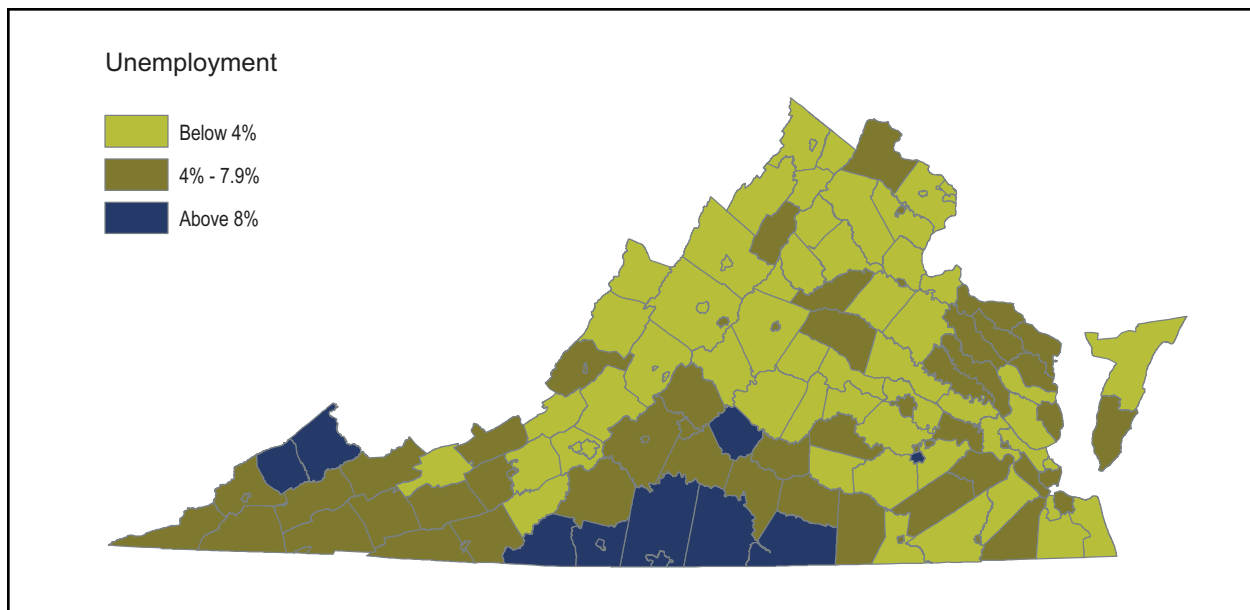
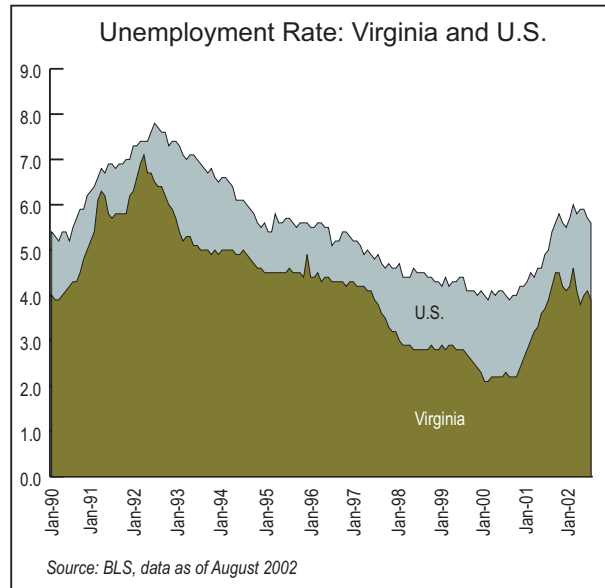
itive, though just barely, at 0.3% in 2001, against the backdrop of slightly slower employment growth nationally of 0.2%.

The unemployment rate tends to be a coincident indicator in the business cycle, turning up or decreasing as the economy contracts or expands. Virginia’s unemployment rate rose sharply from a low of 2.2% at the end of 2000 to 4.5% by the end of 2001, reflecting the slowing economy. However, throughout the expansion that began in 1991, and even in the recent downturn, the unemployment rate in Virginia has been well below the national unemployment rate.



Around the state, unemployment rates vary widely by locality, with some counties and cities experiencing double-digit unemployment rates while others report low unemployment rates and shortages of certain types of labor. The highest unemployment rates occur in Southside Virginia, where textile, apparel and furniture plants have closed. Many localities in Southwest Virginia also suffer from unemployment rates chronically well above the statewide average.

By broadly defined regions of the state (see Appendix B for definitions) it comes as no surprise that Northern Virginia experienced the most robust growth in employment from 1996 to 2001, with average annual growth of 4.1%. With this region accounting for one-third of Virginia's employment in 2001, strong growth in Northern Virginia helped to support the statewide average growth rate of 2.3% during this same five-year period. In contrast, Southwest and Southside Virginia's employment growth was nearly flat. Together, these two regions of the state accounted for 11% of statewide employment. Disparity in growth across different areas of the state characterizes other economic and demographic indicators as well.

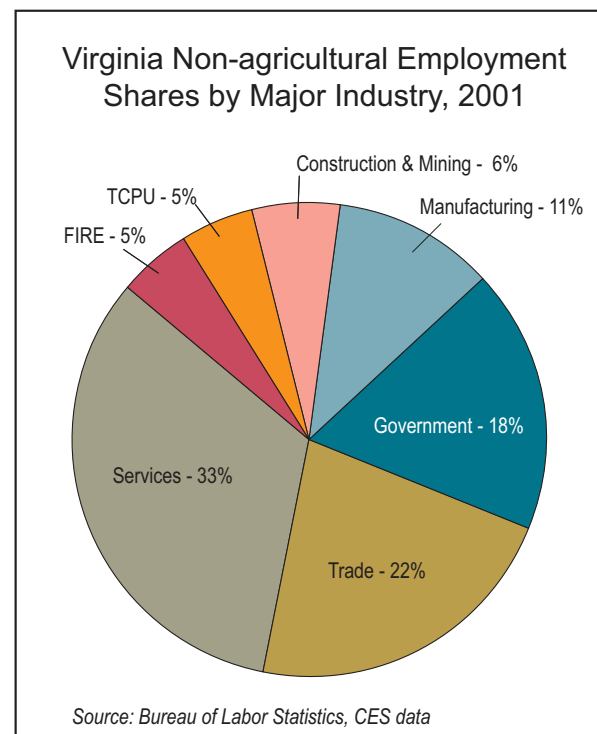
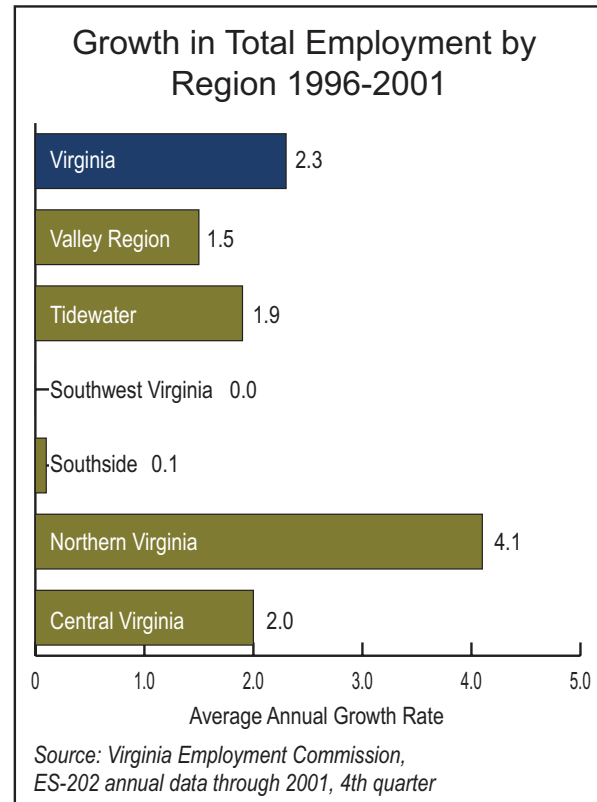


Emerging and Traditional Sectors

Over the past thirty years, the services sector's share of Virginia's economy has grown while the manufacturing sector's share of the economy has diminished. Today, the largest share of Virginia's employment takes place in the services sector, with one-third of the state's employment in industries ranging from laundry services to computer and data processing. In thirty years, the services sector has doubled its share of employment in the state and the composition of industries is quite different today than it was a few decades ago.

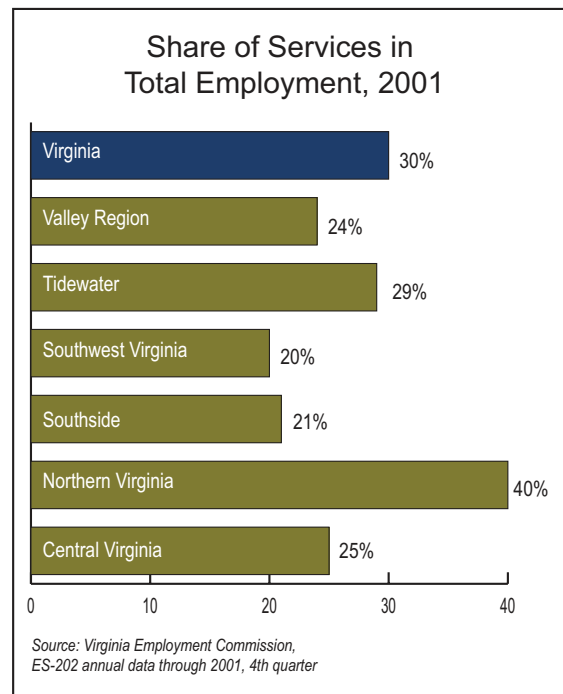
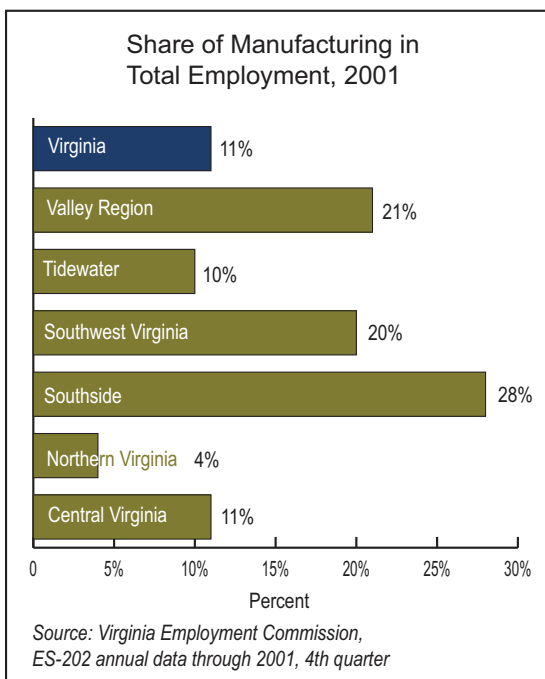
By contrast, the manufacturing sector has seen its share of Virginia's employment decline from 23% in 1971 to just 11% in 2001. Improvements in productivity have reduced the labor requirements in many manufacturing industries, but international competition has also played a major role in the decline of the manufacturing sector. Some of Virginia's traditional industries, such as furniture, textiles and apparel, have experienced declines that are enduring in nature. To the extent that these industries will not rebound with the overall economy, the labor force released from those industries needs the training and education to work in other emerging sectors of the economy.

In some regions of the state, the decline in manufacturing has been felt more profoundly because of the predominance of manufacturing in the regional economy. In Southside Virginia, manufacturing industries account for 28% of regional employment, as compared to the statewide total of 11%. In absolute numbers, Southside Virginia has lost more than 14,500 manufacturing jobs from 1996 through 2001. Wage growth in manufacturing has held up, despite job losses. Even as employment declined by 3.7%, average annual wages per employee rose 4.1% for manufacturing jobs in Southside Virginia.



Northern Virginia accounts for 45% of statewide employment in the services sector and, within the region, services sector employment makes up 40% of regional employment. With an average annual growth rate of 6%, it is no wonder that growth in Northern Virginia's services sector has driven that region's growth. Although other regions have a lower concentration of services sector employment, it is fair to say

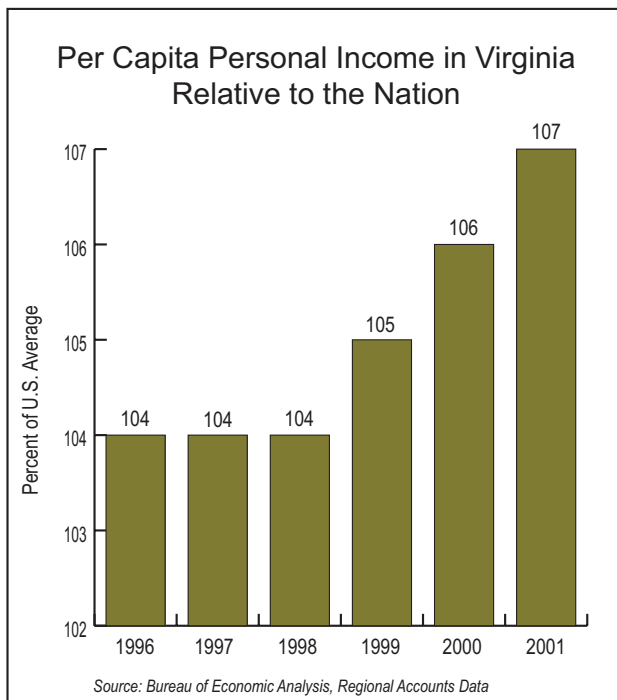
that the services sector is growing in importance in every region of the state, accounting for 20% of employment in Southwest Virginia where its concentration is the lowest. Indeed, the services sector is lifting growth in all regions, growing anywhere from 2% to 6% and exceeding the rate of overall employment growth in every region of the Commonwealth.



Income

Per capita personal income measures wages and salaries, but also includes self-employment income, interest income and social security payments. In Virginia, per capita personal income has grown by an average annual rate of 5.1% from 1996 to 2001, while nationally the growth rate was only 4.5%. Virginia's per capita personal income reached 107% of the U.S. average in 2001 and its position relative to other states has increased in recent years as well. In 1998, Virginia ranked fifteenth in per capita personal income, and by 2001 Virginia's ranking had risen to twelfth place. Despite the gains in per capita personal income in the Commonwealth, disparities remain between metropolitan and non-metropolitan areas of the state. In 2000, non-metropolitan area per capita personal income was 30% below the statewide per capita personal income average. Unfortunately, this income gap has widened somewhat since 1998, even though income grew by an average annual rate of 3.5% during this period.

Income growth reflects an improved standard of living for Virginians, but poverty reduction ensures that the lowest income levels are sharing in the prosperity. In 2001, Virginia had the ninth lowest poverty rate in the nation, with just 8.0% of Virginians living on income levels at or below the poverty level. In the past decade, the poverty rate in Virginia has fallen from 9.9% to 8.0%, as economic opportunities have reached more of the poorest citizens of the Commonwealth. Although the recession that began in March 2001 saw an increase in the national poverty rate, in Virginia the poverty rate declined from 9.2% in 2000 to 8.0% in 2001. Although data for 2002 will not be available until mid-2003, it is likely that poverty rates in Virginia will begin to rise with the rise in unemployment resulting from the recession.



Personal Income in Virginia		
State	2001	Rank
Connecticut	\$41,930	1
District of Columbia	\$40,498	2
Massachusetts	\$38,845	3
New Jersey	\$38,153	4
New York	\$35,884	5
Maryland	\$34,950	6
New Hampshire	\$33,928	7
Colorado	\$32,957	8
Minnesota	\$32,791	9
Illinois	\$32,755	10
California	\$32,678	11
Virginia	\$32,295	12

Source: Bureau of Economic Analysis, Regional Accounts Data

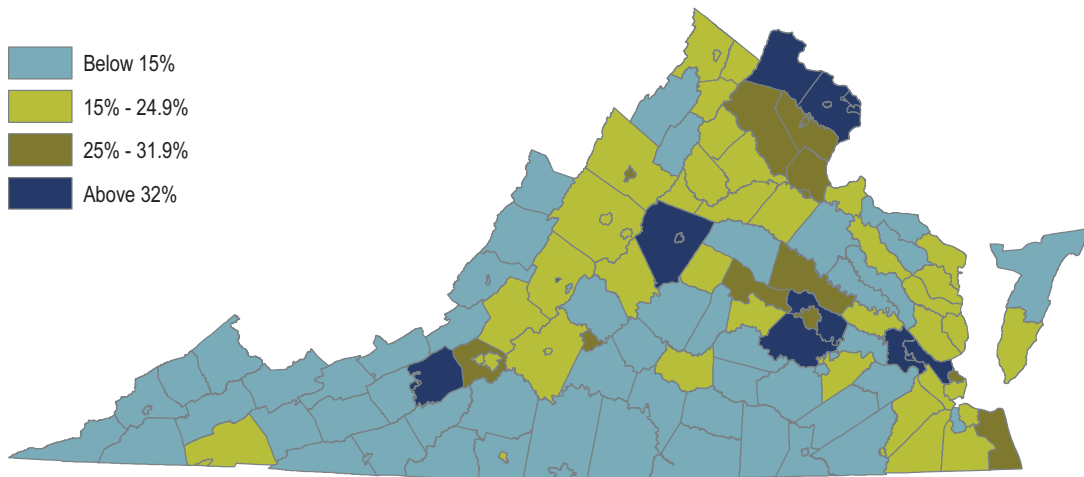
Quality Labor Force

An educated and well-trained workforce is a fundamental requirement for economic development efforts across the Commonwealth. Virginia boasts one of the most educated labor forces in the nation, ranking sixth in the percentage of the population age 25 and over with at least a college degree. In 2000, nearly 30% of this age group held a college degree or higher, compared to just under 25% a decade ago. The Commonwealth has achieved much success in broadening the attainment of higher education through a strong college and university system. However, across the state there are many counties and cities where the rate of college degree attainment falls well below the state average, primarily con-

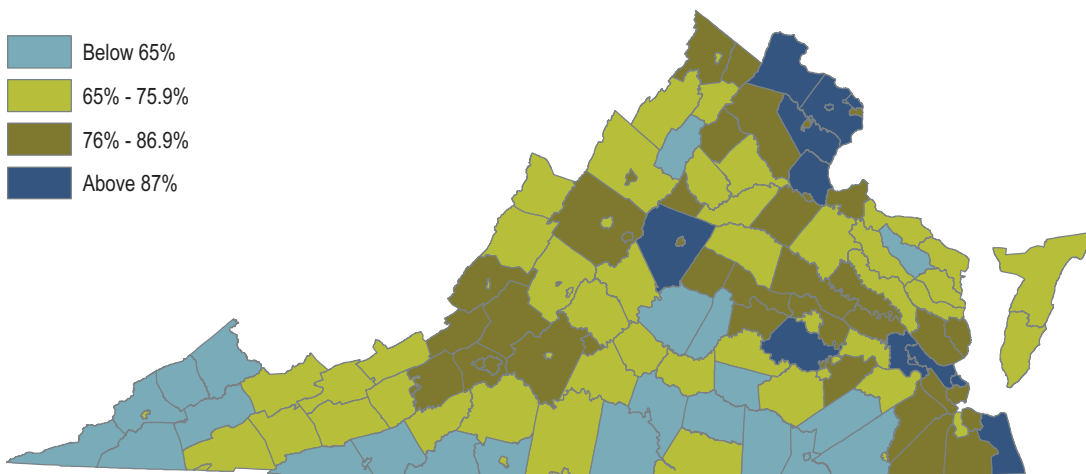
centrated in Southwest and Southside Virginia.

The rate of high school completion also critically impacts the ability of workers to participate fully in emerging industries that provide employment and good wages. Statewide, the percentage of the population age 25 and over that holds at least a high school degree was 82% in 2000. This rate has increased from 75% a decade ago, yet Virginia ranks 29th in the nation for educational attainment of the high school degree. Equally as important is the great disparity that persists between counties and cities in different regions of the state, with the rate of high school completion dropping to below 60% for several cities and counties and reaching rates above 90% in several others.

% of Population with at least a College Degree



% of Population with at least a High School Degree



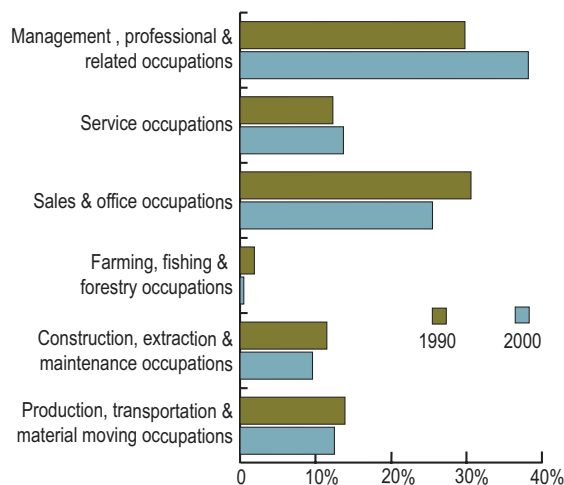
The composition of Virginia's labor force by occupation has changed over the past decade, with the largest shift being toward management, professional and related occupations. This shift reflects the changing composition of industries in the Commonwealth, with the services sector growing in importance, but it is also nurtured by the stream of well-educated workers coming out of Virginia's education system or choosing to move to Virginia from other parts of the country.

Virginia's success in the growth of the high technology sector can be attributed to many factors that make Virginia a good place for business. Most significantly, however, access to technology workers specializing in computer applications, science and engineering gives Virginia a valuable competitive edge over other states. As an example, Virginia ranks second in the nation in its concentration of computer and information systems specialists (per 1000 employees), ahead of Massachusetts and Washington. This abundance of technical skills supports industries in the technology sector, in defense and in bioscience.

International Trade

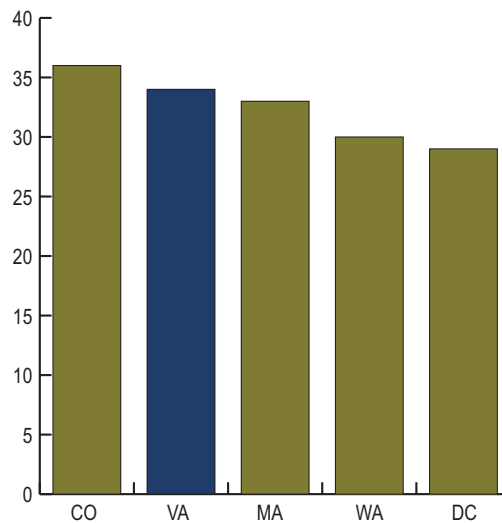
International trade is a vital force in Virginia's economy. Over the past fifteen years, Virginia manufactured exports accounted for an average of 14% of all Virginia manufactured goods produced annually. As is true of the rest of the economy, exports are cyclical in nature and therefore Virginia's total merchandise exports declined slightly in 2001 to \$11.6 billion, a 0.6 % decrease from 2000. Excluding coal and tobacco, Virginia's remaining merchandise exports rose to \$9.0 billion in 2001, compared to \$8.7 billion in 2000, for an increase of 3.9%. Examining that trend over the last ten years, exports of coal and tobacco have declined by 39.7%, while all other manufactured exports increased by 41.7%, yielding a cumulative increase of 16.8%. Virginia maintained its position as the seventeenth largest exporter state nationally and as the fourth largest in the South Atlantic. Virginia's service-related exports were estimated at \$4.8 billion in 2001. The combined total of Virginia's exports of goods and services was \$16.4 billion.

Virginia Concentration of Employment by Major Occupational Groups



Source: U. S. Census Bureau

Computer and Information Systems Specialists Per 1000 Employees



Source: Bureau of Labor Statistics, Occupational Employment Statistics, 2000

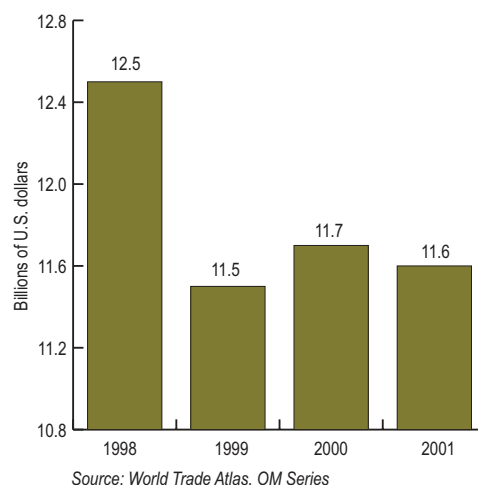
Virginia businesses export manufactured goods to every geographic region in the world. Western Europe is ranked as Virginia's top export destination, for the fourth year in a row, with a 36% share of Virginia's overall exports and a total of \$4.1 billion. Canada is the single largest export destination, receiving nearly \$1.8 billion in merchandise exports from Virginia in 2001. Other major export destinations are Japan, Germany, Mexico and the United Kingdom.

Electrical machinery tops the list of major export industries for Virginia, with \$1.9 billion exported in 2001. Electrical machinery includes exports of integrated circuits, telephone and switching equipment, transmission apparatus, generators and ignition products and other electronic components. Industrial machinery also is a major export industry for Virginia, with exports of \$1.7 billion and an increase of nearly 20% from 2000 to 2001.

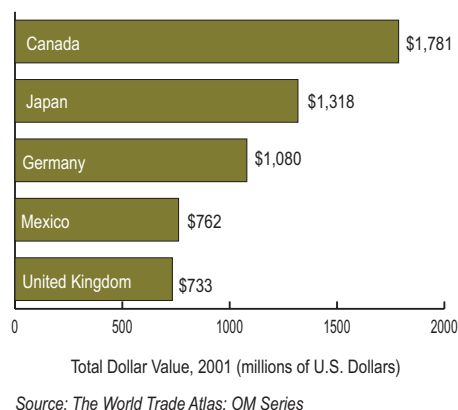
Tobacco and coal have long been traditional industries and major exports for Virginia. In 2001, the combined exports of these two industries totaled nearly \$2.6 billion. Tobacco exports reached a peak in 1996 and have declined by 43% in just the past six years. In 2001, tobacco exports fell by 22% from the previous year and tobacco fell from its traditional rank as the top export product to number two behind electrical machinery. Tobacco exports are very cyclical, but the long-term trend is downward as is the domestic market. In the period from January through August 2002, tobacco exports have declined by a dramatic 38%.

Coal, another mainstay of Virginia's exports, has experienced a downward trend, although 2001 saw some rebound. In 2001, the value of coal exports amounted to \$671 million, an increase of 23% from 2000's total of \$545 million. The 2000 total was 59% lower than the 1996 peak of \$1.3 billion. Most of Virginia's coal exports are of the very high-quality, low-sulfur type of coal used in the production of steel. Virginia coal exports are highly dependent on world economic conditions.

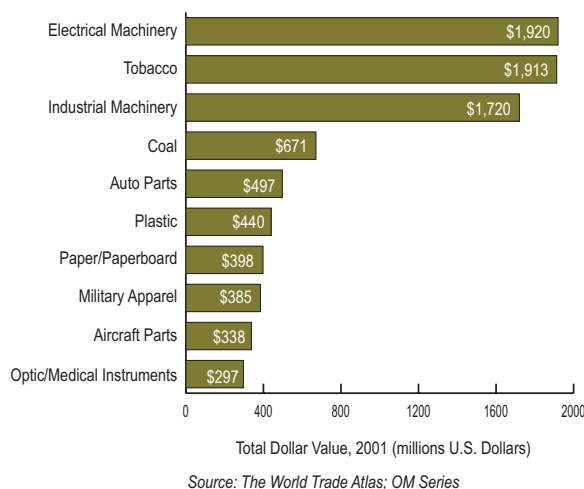
Virginia's Total Merchandise Exports 2001



Virginia's Top 5 Export Destinations 2001



Virginia's Top Export Industries 2001



Tourism

Tourism plays a vital role in Virginia's economy. In 2001, tourism ranked as the third largest retail industry in Virginia, behind food stores and automobile dealerships. Approximately 211,000 Virginians work in tourism-related jobs, making the industry the third largest employer behind business services and health services. One in 17 working Virginians is directly employed in the travel and tourism industry, which paid more than \$4 billion in payroll during 2001. In 2001, Virginia's tourism industry generated an estimated \$652 million in state sales taxes and \$413 million in local sales taxes.

Travelers to Virginia spent \$12.9 billion in 2001. Eighty percent were "out-of-state" visitors, meaning new revenue for the Commonwealth. The \$12.9 billion in travelers' spending for 2001 is a \$200 million decrease from the \$13.1 billion spent in 2000, representing a 1.9% decrease in spending. This decrease can be attributed to the combined impact of the attacks in Virginia and New York, coupled with the downturn in the U.S. economy that began in the spring of 2001. Travel by U.S. citizens within the United States decreased by 5.4% in 2001, so Virginia stayed ahead of the national average in the tourism losses it experienced, in part by being a convenient driving destination for a large portion of the nation. Until 2001, each year for the last 10 years, traveler spending in Virginia increased 5%.

On an average day in Virginia, tourism generates \$35.3 million in spending from lodging, meals, gasoline, shopping and other related services.

Agriculture

Agriculture is a major component of Virginia's total economy, as it has been for nearly 400 years. Most recent data shows that agriculture generates approximately \$35.9 billion in total sales for the state, and contributes \$19.5 billion to Virginia's gross state product. These totals include not only production agriculture, but also the processing of agricultural products, distribu-

tion, and inputs to agricultural activity. While processing of agricultural products is an extremely important activity in economic terms, the basis of Virginia agriculture is crop and livestock production.

According to the 2001 Virginia Agricultural Statistics Survey, gross cash receipts on Virginia farms totaled \$2.56 billion, up from \$2.44 billion in the year 2000. The largest component of this cash receipts total was generated by the sale of livestock and livestock products (\$1.67 billion). Contributing to the revenues generated by the sale of livestock products were: production of broilers, cattle, calves, milk, turkey, eggs, and hogs.

Field crops contributed \$466.9 million toward gross cash receipts from the state. Among the most important field crops were tobacco (\$124.4 million), soybean (\$80.5 million), corn, peanuts, cotton, wheat, and hay.

In 2001 Virginia ranked sixth in the nation in the production of tobacco and peanuts, thirteenth in the nation in the production of uplands cotton, and twentieth in the nation in the production of soybeans.

Exports of agricultural products make Virginia a major player in foreign trade as well. Among the state's major agricultural exports are manufactured tobacco products, manufactured leaf products, field crops (corn, wheat, and soybeans), logs, lumber, and poultry products. Most of Virginia's agricultural exports go to the Asian Pacific regions and to Western Europe.

Food processing is one of the oldest and most important industries in Virginia. In terms of employment, food processing is Virginia's second largest manufacturing industry, trailing transportation equipment. Food processing creates the third highest amount of value added by manufacture in the Commonwealth, following tobacco products and chemicals. Virginia has over 360 food processors, which employ approximately 36,500 workers and account for 10% of Virginia's total manufacturing workforce. In 2000, shipments from Virginia food products manufacturers totaled more than \$10.6 billion, ranking second behind tobacco products and just ahead of chemicals. Large agricultural process-

ing facilities typically seek to locate near communities with sizeable water systems and trained labor for processing operations. To stay competitive, these operations must add value to processed products to meet continuously changing consumer needs and desires for prepared food and processed products.

Food processing also is very much alive among small entrepreneurs. Over the past several years, the agriculture sector has seen the emergence of many small companies turning out products ranging from barbecue sauces and salad dressings (of every description) to wines. These small companies, more so than the large companies, face continual challenges of finding investment capital and operating capital.

While cash receipts for Virginia farmers have increased each year for the last three years, Virginia farmers have been buffeted by a number of severe challenges over this period. Virginia is losing farmland to commercial development at the rate of 45,000 acres per year. In addition, low rainfall levels, lower commodity prices, disease, and changes in federal regulations have hurt Virginia's farms. Moreover, the agricultural sector as a whole faces an aging farm population, creating uncertainty in the continuity of farm operation. The average farmer in Virginia is 56 years old, and few young farmers are entering the field. The number of farms in Virginia has remained relatively constant over the past several years at approximately 49,000.

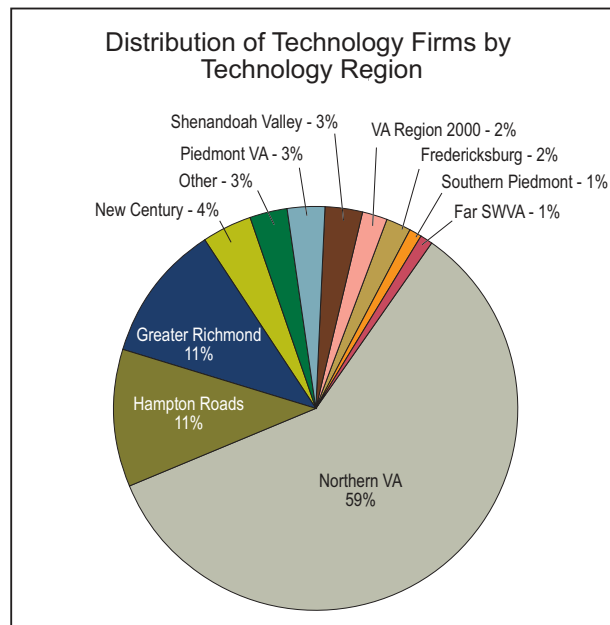
Not all sectors within agriculture, however, face these same challenges. The nursery/greenhouse and wine industries, among others, are emerging as fast-growing sectors. Small specialized farming operations have developed around major metropolitan areas to supply fresh vegetables, flowers, and other products to those markets. Many farm entrepreneurs are developing strategies for adding value to product through marketing innovations, processing of product, genetic adaptation of products, and other strategies.

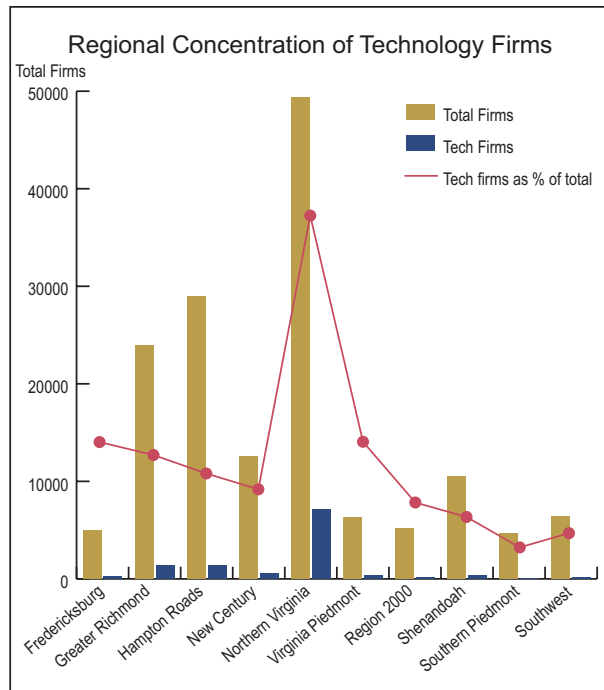
In addition, producers of commodities appear to be expanding operations to take advantage of economies of scale by farming large tracts of land. Farmers also are showing an increased interest in new age cooperatives (in which farmers own the processing facilities to which they will direct their output), in the development of new crops and new products, and in the development of new enterprises, such as agri-tourism.

While ever changing, Virginia's agriculture sector remains a dynamic force contributing to the total economic growth of the Commonwealth.

Technology

Despite the downturn in telecommunications and Internet, technology remains a strong driver in the Virginia economy. In the Fourth Quarter of 2001, there were 12,280 technology firms in Virginia employing 320,534. This represented 8.14% of firms, 9.4% of employment, and 17.4% of wages (VEC, 2001 and Chmura Economics). Regionally, these firms cluster as follows:





“Technology” industries are defined as those industries that employ twice the national average of Research and Development (R&D) workers. Most regions concentrate in the Information Technology and Communications sectors, though some of the regions with less technology overall appear to have greater diversity of technology activities. The infrastructure that underlies technology includes access to high-speed high quality telecommunications and the presence of a trained workforce. According to the Progressive Policy Institute (*The 2002 State New Economy Index*), Virginia ranks well in both of these indicators, but there is room for improvement. In the area of workforce, Virginia

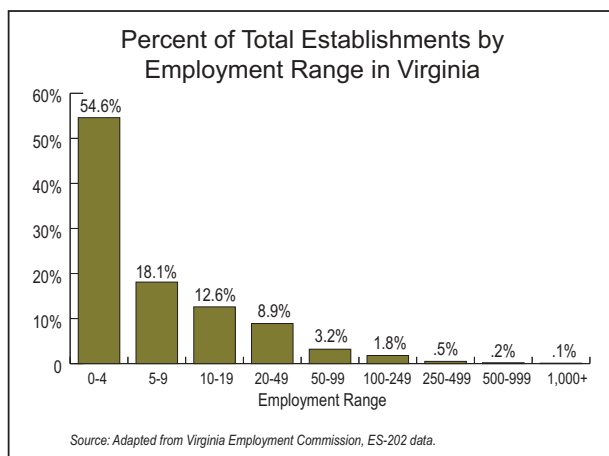
ranked fifth for high-tech workers in 2001, but only thirteenth for scientists and engineers as a percentage of the workforce. While Virginia ranks third in aggregate workforce education and for Information Technology jobs, it ranks forty-fourth for the education level of its manufacturing workforce. For Internet access, Virginia ranks seventh for the number of commercial Internet domain names per firm, but only fourteenth for technology in its schools, fifteenth for its online population, and twenty-fifth for use and deployment of broadband telecommunications.

On a positive note, growth in the biotechnology field and in emerging technologies such as nanotechnology, bioinformatics, and information security hold great promise in Virginia. Sample initiatives include INANOVA, a four university cooperative effort to develop a center of excellence in nanotechnology, a multi-university life sciences initiative, a new campus in Virginia for the Howard Hughes Medical Institute and regional hosting of Bio2003, the premier biotechnology conference and trade show, and a collaboration initiative on information security research and training at George Mason University and James Madison University.

Other states have also “discovered” technology, however, and are making major investments in research facilities and faculty. Virginia will have to work hard to compete with states such as Michigan, which is investing \$1 billion in its life sciences corridor, or Georgia’s Research Alliance, which is funded at several hundred million dollars.

Small Businesses, Minority- and Women-Owned Businesses in Virginia

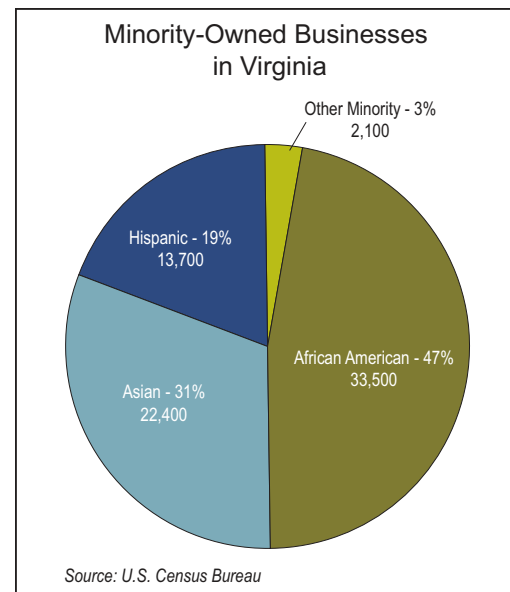
Virginia had 194,000 business establishments (*i.e.*, firms with paid employees that register as employers with the Virginia Employment Commission) in the Fourth Quarter of 2001 (the latest quarter available), of which 54.6% (106,000) employed fewer than five people (see graph). In addition, 94.3% (183,000) employed fewer than fifty people, and 99.0% (192,000) employed fewer than 250 people. Only 0.4% employed more than 500 people, and 0.1% employed 1,000 or more. The average establishment in Virginia employed eighteen people. This data illustrates the overwhelming strength and importance of small business in Virginia.



In Virginia, business establishments with fewer than fifty employees account for one-third of all wages and 36.9% of all workers. Almost two-thirds of Virginia's workers are employed in establishments with fewer than 250 people, accounting for 59.8% of all wages. Establishments with 1,000 or more employees account for 17% of all workers and 22% of all wages paid in Virginia. Judging from the data, the largest firms tend to pay proportionally higher wages than the small- to medium-sized enterprises.

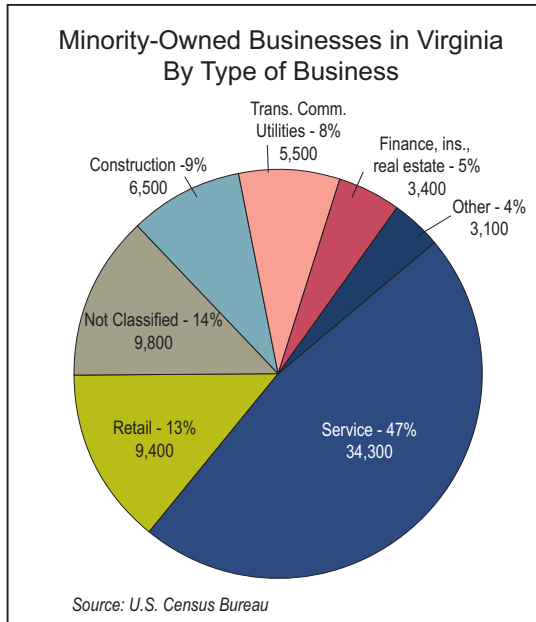
Minorities represent 32.4% of Virginia's population and 37.4% of the national population. Minorities own 11.1% of Virginia's firms with paid employees, as com-

pared with 11.6% at the national level. These Virginia firms employ 4.6% of the state employment total, with a payroll of 3.8% of the state total. Minorities in Virginia and nationwide, own a greater share (nearly 15% according to U.S. Census Bureau estimates) of all enterprises including sole proprietorships without other paid employees. To a greater extent than the general population, minorities often are self-employed in personal or family ventures. Overall, minorities are significantly under-represented in business ownership in Virginia as in the nation.



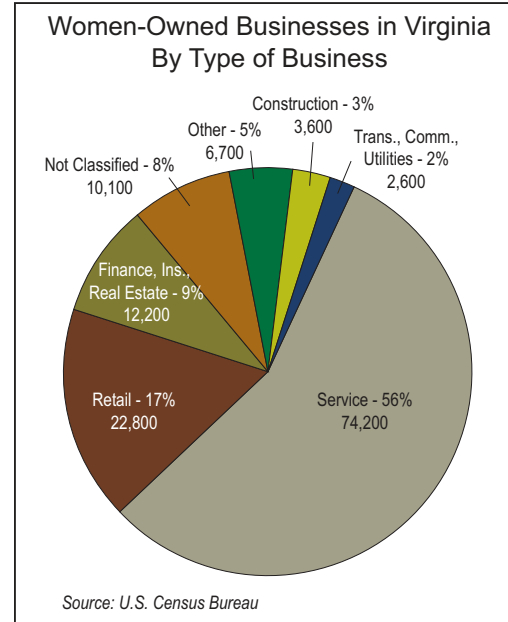
African-Americans are the largest minority group in Virginia, accounting for 19.6% of Virginia's population and 7.0% of all of Virginia's business firms. They represent almost one out of every two minority-owned businesses in Virginia. In addition, they own 3.8% of Virginia's businesses with paid employees.

Of all Virginia's minority-owned businesses, 47.6% are in service industries, 13.1% are in retail, and 9.0% are in construction (see graph below). Minorities are involved in the services sector in significant disproportion to their population.



Women own 27.5% of all businesses in Virginia. These firms have sales and receipts accounting for 4.2% of the state total. Nationally women own 26.0 percent of all businesses. Women account for 51.0 percent of Virginia's population and 50.9 percent of the U.S. population.

In Virginia women own 16.1% of all businesses with paid employees, which corresponds to the nationwide



percentage. Such firms employ 6.7% of the Virginia workforce, and have a payroll representing 5.0% of the state total.

Of Virginia's women-owned firms, 56.2% are in service industries, 17.3% are in retail, and 9.2% are in finance, insurance, and real estate (see graph).

Goals & Strategies

Goal 1:

Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.

Virginia is justly recognized as a business-friendly state, but we must not rest on our reputation. We must continue to take those actions that will maintain our business-friendly atmosphere. Education, workforce development, and transportation are perhaps the three most critical areas for Virginia's future competitiveness and attractiveness to business. Although low taxes, an efficient court system, attractive incentives, and all the other tools of economic development are important, those attributes are worthless without a good K-12 and higher education system, a well-trained workforce, and a good transportation network. In general, education and transportation issues are beyond the scope of this report, but their economic significance cannot be overstated. Other issues that do not on their face appear to be specifically related to economic development play a significant role in creating a particular business climate in Virginia. For example, our system of local government and our current state and local tax structures discourage the regional cooperation that is increasingly important for the most effective economic development activities. Also, the fact that Virginia's Governor, as the Commonwealth's Chief Economic Development Officer, is limited to only one term impedes relationship-building and multi-year commitments to projects and programs important to corporate clients. Many of these issues are currently under review by other entities and the impact these issues have on Virginia's future economic success should be an important consideration in those deliberations.

- Provide incentives for and remove obstacles to intergovernmental revenue sharing for economic development, both within and among regions.
- Promote economic activities in areas where there is existing infrastructure, on a basis consistent with regional transportation, housing, and education needs.
- Expand traditional economic development measures to reflect the state's performance in small business, high-wage and high-growth industries and in per capita income growth.
- Continue to assess the effectiveness of state economic development programs and incentives, improving data keeping for accountability purposes. Conduct a systematic comprehensive review of economic development programs, methods, and incentives in highly competitive states.
- Propose an amendment to the Virginia Constitution to allow the Governor to seek election to a second term.
- Seek ways to improve competitive air transportation at existing commercial airports in smaller metro areas.
- Implement a new incentive program to attract corporate headquarters.
- Seek to establish Virginia as the location of choice for the financial services industry.
- Create and sustain a quality of life attractive to globally competitive businesses and workers.
- Recruit to Virginia business leaders and skilled entrepreneurs and others who will provide expertise and leadership in developing and growing businesses.
- Prioritize incentives by favoring new jobs that exceed the prevailing local average wage. Target incentives to achieve strategic goals.
- Continue and support planned developments such as Maersk and Craney Island at the Port of Hampton Roads that will enable the Port to remain on the leading edge of international port activity.
- Market the Port and inland port (intermodal transportation) more aggressively and raise its profile

Goal 2:

Provide effective workforce training programs to create and maintain a competitive 21st century workforce in Virginia.

A well-prepared, skilled, available workforce is among the most critical factors in economic growth. Incentives, developed sites, and marketing will not induce a business to locate or expand if its basic workforce needs cannot be met. In order to meet business workforce needs, Virginia must respond to a range of ongoing changes. Skilled workers will continue to be needed in traditional industry sectors even as emerging sectors create new demands for continuous workforce training. The high level of dropout rates in some regions of the Commonwealth impacts the skill level, and business perceptions, of the workforce.

Although many of Virginia's workforce programs provide excellent services, our workforce development *system* as a whole lacks coordination and focus. Currently, twenty-two programs administered by ten agencies in three secretariats fund, provide, or administer workforce services in Virginia. In fiscal year 2001, \$275 million in federal, state, and local funding was appropriated for these programs.

- Develop an integrated, seamless Virginia workforce services system that provides a single point of entry for employers and workers.
- Improve the performance of Workforce Investment Boards through creation of an operating template, and the preparation and implementation by each Workforce Investment Board of an annual demand-driven workforce plan.
- Align Workforce Investment Act implementation activities with local and regional economic development goals as enabled by increased flexibility in the administration of the Workforce Investment Act.
- Provide funds for incumbent worker training, particularly in industries with high layoff risks.
- Support and encourage vocational and technical education among parents, students, and guidance counselors, upgrading the programs' appeal and profile, and implement necessary adjustments to the Standards of Learning.
- Support the strategic plan of the Virginia Workforce Council.

Goal 3:

Strengthen Virginia's traditional economic sectors and existing businesses.

Virginia's traditional economic sectors, many of which are natural resource-based, will continue to play a vital role in our economy. In some instances technological advances will transform how traditional businesses carry out their daily activities, resulting in a need for fewer workers. A greater emphasis on value-added production associated with our natural resource-based industries will help support and expand opportunities in these sectors. In addition, a greater focus on encouraging innovation and entrepreneurship, particularly among women- and minority-owned businesses, will yield significant and far-reaching results based on current business demographics.

- Protect and support Virginia's military bases, including support for local BRAC related activities.
- Better utilize the available skilled labor pool created by transitioning military personnel.
- Promote development of homeland security and defense-related clusters around Virginia's military facilities.
- Encourage and facilitate federal contracting and the growth of federal contracting companies in Virginia, including for increased homeland security needs.
- Develop actions to double Virginia's agriculture and forestry receipts over the next ten years.

- Shift the focus of Virginia's agricultural production from commodities production to value-added agricultural products.
- To elevate the profile of the agriculture and forestry industries in Virginia, create a Secretariat of Agriculture and Forestry.
- For those of Virginia's traditional industries that are in a state of decline, evaluate the industries' long-term competitiveness for determining future investments. For communities heavily affected by these declining industries, begin planning now for community development, worker re-training and enhanced K-12 programs in vocational/technical education directed at new skills and growth industries.
- Fully implement Executive Order 35 to ensure meaningful procurement opportunities for small, minority and women-owned businesses.
- Change the name of the Department of Business Assistance to the Department of Small Business Assistance and re-focus the Department to serve as the central focus for the state's small business support programs, providing support, networking opportunities, government interface, assistance with procurement opportunities, marketing assistance, and incubator access.

Goal 4:

Support technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.

Emerging business sectors are often associated with technology businesses, but technological advances span all sectors of the economy. Virginia benefits from several advantages in attracting emerging and developing economic sectors. Our universities offer a natural linkage to research and development. Our proximity to Washington, D.C. attracts businesses associated with federal policy directions and contracting. Virginians exiting the military also provide an excellent trained workforce. Virginia's continued ability to attract technology and emerging businesses rests in part with providing the infrastructure and environment necessary to support these businesses.

- Make Virginia the U.S. state with the highest percentage of home hook-ups to affordable broadband.
- Perform a statewide audit of local broadband capacity.
- Convene a Governor-led meeting of broadband providers to develop strategies to improve broadband capacity.
- Coordinate available state and federal resources to encourage development of broadband capacity throughout Virginia, including use of incentives to providers as necessary.
- Provide strategically located niche incubators that match a region's assets and goals with the type of industry to be cultivated, and provide significant support services appropriate to the tenants.
- Implement the recommendations of the Governor's Biotechnology Initiative as and when funds become available to do so.
- Better coordinate university research efforts with economic development activities by developing clearer and more entrepreneurial, business-friendly university IP (intellectual property) policies, and implementing appropriate faculty and graduate student commercialization policies. Provide technical assistance to smaller firms in navigating the process to register, value, and protect their intellectual property.
- Seek to increase the flow of federal research and development dollars to Virginia universities and companies, as contemplated by the Virginia Research and Technology Advisory Commission and the Center for Innovative Technology strategic plans.
- Where prudent, utilize state financial resources to encourage venture capital investments in Virginia companies.
- Make Virginia a more attractive and competitive location for biotechnology, information technology and telecommunications companies.

Goal 5:

Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

Different regions of Virginia have prospered or declined at different rates. The reasons for these differences are long-standing, complex, and varied. Some regions of the state do not have the level of transportation access desired by many industries. Many rural areas have limited access to high-speed, affordable telecommunications systems with the redundancies demanded by high-tech businesses. Equitable distribution of state funding in education and other areas has been a source of controversy for many years, and an examination of many of those areas yields serious disparities in achievement. Some of the Commonwealth's greatest workforce potential lies unfulfilled in our distressed urban cores and rural areas. These conundrums will not be resolved quickly and simply, but require broad-based support and wide-reaching solutions.

- Create an enhanced capital access program available to companies in distressed areas.
- Implement a focused program to reduce by half, within ten years, the percentage of adults in identified distressed areas who do not have high school or equivalent diplomas.
- As needed, provide higher levels of discretionary incentives in distressed areas (urban cores as well as rural areas) to help reduce the competitive disadvantage that may exist and to close economic development deals. As an example, provide for an earlier payout on Virginia Investment Partnership grants in distressed areas.
- Make transportation improvements in rural areas, particularly seeking the completion of Coalfield Expressway and Route 58.
- Support development of more sites in urban cores for redevelopment and brownfields development in order to rehabilitate and reuse sites and buildings including for retail and mixed-use redevelopment, as appropriate.
- Encourage expansion in rural areas of telecommunications in general and affordable high-capacity broadband in particular.
- Within distressed areas, focus economic development efforts on locations in which there is the highest likelihood of success in order to most effectively use state resources.

Goal 6:

Strengthen the market position of all of Virginia's regions as travel destinations for national and international visitors.

Virginia is home to historic and cultural icons that provide an exceptional base for tourism. In addition to these renowned destinations, the Commonwealth has a diverse range of travel destination resources. Virginia is within a day's drive of 50 percent of the nation's population and has enormous potential for attracting both business and leisure travelers. History, natural resources, and developed attractions offer something for everyone in Virginia. Transportation access is an important factor overall, and particularly in considering the potential of some of our most attractive eco-tourism opportunities. Providing the infrastructure and workforce needed to support a growing tourism industry will be important to Virginia's position as a travel destination.

- Ensure that there is professional tourism marketing leadership at the state level.
- Prioritize Virginia as a travel destination in statewide marketing efforts.
- Implement Executive Order 6 to market Virginia's meeting and convention facilities more aggressively.

- Improve facilities of, and develop alternative funding sources for, Virginia's Welcome Centers, and customize highway signage for attractions.
- Convene a statewide task force to focus on rural tourism development and new rural tourism product.
- Promote a joint effort among the Virginia Tourism Corporation, Virginia Marine Resources Commission, Department of Conservation and Recreation, Department of Game and Inland Fisheries and Department of Historic Resources to capitalize on Virginia's natural and historic resources for tourism purposes.
- Provide a dedicated toll-free number and website with twenty-four hour availability to serve the traveling public.

Goal 7:

Encourage the growth of Virginia's economy through support of exports by Virginia companies and other forms of international trade.

While Virginia is well-positioned for exports, with excellent ports and strong highway connections, many businesses do not fully recognize the export opportunities that may be available to them. The Commonwealth produces a wide range of products and has the physical infrastructure needed to make them available worldwide. Small local businesses unfamiliar with accessing overseas markets may perceive exporting as complex and intimidating.

- Work with businesses to identify obstacles to export products and services and assign responsibility to specific state agencies to address these obstacles.
- Achieve higher levels of participation in international trade events and greater dollar value of Virginia exports through more grassroots marketing efforts and partnering between the state and small Virginia companies.
- Promote increased use of the Foreign Trade Zones.
- Provide greater levels of information resources for foreign customers and importers – multilingual websites and toll-free international numbers to link buyers and sellers.
- Increase collaboration between the forestry and agribusiness communities and state economic development agencies to identify new export opportunities and help businesses take advantage of them.
- Begin mutual support for import/export in targeted areas of the world, obtaining assistance for Virginia companies seeking to sell or operate abroad and providing the same assistance for companies from those areas in Virginia.
- Create a concerted Virginia international strategy focused on coordinating the international activities of the Virginia Economic Development Partnership, Virginia Port Authority and Virginia Department of Agriculture and Consumer Services, to share business opportunities, missions, representatives and offices, achieving higher productivity through cross-selling, for the primary purpose of increasing the rate of growth of Virginia's exports.
- Initiate a Governor's trade program, in which the Governor recognizes and presents certificates to all companies as they first enter the export market through the Virginia Economic Development Partnership.
- Take advantage of untapped Export-Import Bank state partnering funds, by having the Virginia Economic Development Partnership serve as the state conduit for working capital loan programs and market these programs to its current and potential clients.

Summary

The Virginia economy is stronger and more resilient than the national economy, but tends to follow similar trends in employment. The employment picture in the Commonwealth differs sharply from that of 30 years ago, when manufacturing occupied a much larger share of the economy. The rise in relative strength of the services sector, coupled with emerging industries and technologies, creates vast opportunities for the people and the economy of the Commonwealth. These industries often give rise to higher income levels and cutting-edge technologies enabling Virginia businesses to become even more competitive in the global marketplace.

Not only rural areas but also Virginia's cities have serious challenges to economic development that must be addressed. Educational attainment may be the most critical aspect of the disparity between Virginia's more prosperous areas and its struggling regions. Education and workforce issues present the most serious challenges to economic development and the prosperity of all Virginians.

Appendix A: Steering Committee

The Honorable Michael J. Schewel, Chairman, Secretary of Commerce & Trade
Douglas Adams of Winchester, The Adams Companies
Lynda Sharp Anderson of Richmond, CEO of The Metropolitan Business League
James A. Bacon of Richmond, Publisher of Bacon's Rebellion & VA Newswire
Peter Barris of Reston, Managing General Partner of New Enterprise Associates
Connie Bawcum of Stafford, Principal of B & W Partners
Don Beyer, Jr., of Alexandria, CEO of Don Beyer Volvo
Tim Booker of Washington, President and CEO of MindFinders Inc.
Joe Bouknight of Danville, Vice President for Human Resources of Dan River, Inc.
Jim Cheng of McLean, President of Computer and High Tech Management
Tommy Davis of Richmond, President of TK Davis Construction, Inc.
Tom DePasquale of Alexandria, CEO and President of Out Task
Wendy Drucker of Newport News, Executive Vice President of Drucker & Falk LLC
Frank Ching Seng Fang of Newport News, President and CEO of C & F Enterprises
Ronald C. Flanary of Duffield, Executive Director of the LENOWISCO Planning District
Randy Frazier of Salem, President and CEO of R. Frazier, Inc.
Catherine Giordano of Virginia Beach, President and CEO Knowledge Information Solutions, Inc.
John Gregory of Richmond, President of the Richmond Regional Labor Council
Bruce Hiatt of Richmond, President of the Virginia Farm Bureau
Jack Hite of Clarksville
Ken Johnson of Richmond, President of Johnson Inc. Advertising
Allen Jones of Hampton, CEO of Dominion Physical Therapy & Associates
George J. Kostel of Clifton Forge, former Virginia Delegate
Amy Lampe of Martinsville, Vice President, Finance for Tacoma, Inc.
Cynthia Lawrence of Roanoke, President of Design Marketing
Jack Loeb of Roanoke, President of Loeb Construction Company
Ronnie Matthews of Newport News, President, Publisher & Owner of the Daily Press
Nathan Miller of Harrisonburg, Managing Partner for Miller & Earle
Hiawatha Nicely, Jr. of Dublin, President, CEO & Chairman of CNB Holdings, Inc.
Rahul Prakash of McLean, President of Telecom Ventures
Wayne Purcell of Blacksburg, Alumni Distinguished Professor with the Department of Agricultural & Applied Economics at Virginia Tech
Rita Ricks of Richmond, President of Mirror Enterprise, Inc.
Tim Robertson of Virginia Beach, CEO of Bay Shore Enterprises
Frank Shortall of Richmond, Site Acquisition Manager for Suncom
Mark Sisisky of Richmond, Managing Partner of Caprin Asset Management LLC
David Speck of Alexandria, Managing Director for Wachovia Securities
Tammy D. Stephenson of Covington, County Administrator for Alleghany County
Patricia M. White of Warrenton, Marketing Director for the Vint Hill Economic Development Authority
Ed Whitmore of Marion, County Administrator for Smyth County
Dorothy Wood of Virginia Beach, President & CEO of JDW Construction
W. Randy Wright of Norfolk, President & CEO of Randy Wright Printing, Co.
Charles Yates of Lebanon, Executive Director of the Coalfield Economic Development Authority
April Young of Reston, Senior Vice President and Manager of Comercia Bank
The Honorable Sandra D. Bowen, Secretary of Administration
The Honorable Belle S. Wheelan, Secretary of Education
The Honorable Jane H. Woods, Secretary of Health and Human Resources
The Honorable W. Tayloe Murphy, Jr., Secretary of Natural Resources
The Honorable John W. Marshall, Secretary of Public Safety
The Honorable George Newstrom, Secretary of Technology
The Honorable Whittington W. Clement, Secretary of Transportation
The Honorable Anita A. Rimler, Secretary of the Commonwealth

Appendix B: Definitions and Sources

BROADLY-DEFINED GEOGRAPHIC REGIONS:

SOUTHWEST VIRGINIA	VALLEY	SOUTHSIDE	NORTHERN VIRGINIA	TIDEWATER	CENTRAL VIRGINIA
Lee County	Floyd County	Amherst County	Arlington	Accomack County	Albemarle County
Scott County	Giles County	Appomattox County	Fairfax County	Northampton County	Fluvanna County
Wise County	Montgomery County	Bedford County	Loudoun County	Isle of Wight County	Greene County
Norton	Pulaski County	Campbell County	Prince William County	James City County	Louisa County
Buchanan County	Radford	Bedford	Alexandria	Southampton County	Nelson County
Dickenson County	Alleghany County	Lynchburg	Fairfax	York County	Charlottesville
Russell County	Botetourt County	Franklin County	Falls Church	Chesapeake	Richmond
Tazewell County	Craig County	Henry County	Manassas	Franklin	Charles City County
Bland County	Roanoke County	Patrick County	Manassas Park	Hampton	Chesterfield County
Carroll County	Clifton Forge	Pittsylvania County	Culpeper County	Newport News	Goochland County
Grayson County	Covington	Danville	Fauquier County	Norfolk	Hanover County
Smyth County	Roanoke	Martinsville	Madison County	Poquoson	Henrico County
Washington County	Salem	Brunswick County	Orange County	Portsmouth	New Kent County
Wythe County	Augusta County	Halifax County	Rappahannock County	Suffolk	Powhatan County
Wytheville	Bath County	Mecklenburg County	Caroline County	Virginia Beach	Lancaster County
Bristol	Highland County	Amelia County	King George County	Williamsburg	Northumberland Co
Galax	Rockbridge County	Buckingham County	Spotsylvania County		Richmond County
	Rockingham County	Charlotte County	Stafford County		Westmoreland Co
	Buena Vista	Cumberland County	Fredericksburg		Gloucester County
	Harrisonburg	Lunenburg County			King and Queen Co
	Clarke County	Nottoway County			King William County
	Frederick County	Prince Edward County			Mathews County
	Page County				Middlesex County
	Shenandoah County				Essex County
	Warren County				Dinwiddie County
	Winchester				Greensville County
	Waynesboro				Prince George Co
	Lexington				Surry County
	Staunton				Sussex County

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